NCSL COVID-19 WEBINAR SERIES

Consumer Credit and Data

JULY 29, 2020
- July 8 | Mortgage & Foreclosure Issues
- July 15 | Lending to American Consumers
- July 29 | Consumer Credit & Data
The National Conference of State Legislatures is the country’s most trusted bipartisan organization serving legislators and staff. We promote policy innovation, create opportunities for lawmakers to share knowledge and ensure state legislatures have a strong, cohesive voice in the federal system. We do this because we believe in the importance of the legislative institution and know when states are strong, our nation is strong.
COVID-19 WEB PAGE

Information on state policies and responses related to continuity of government, education, fiscal, elections, criminal justice and more.

Go to ncsl.org
- Urban Institute
- Consumer Financial Protection Bureau
- Consumer Data Industry Association
July 29, 2020

Debt in America
Webinar for National Conference of State Legislatures
Debt: Lifeline in emergencies & bridge to opportunity
Having a subprime credit score is costly

Difference in cost for major purchases for prime and subprime borrowers

<table>
<thead>
<tr>
<th>Purchase</th>
<th>Subprime (&lt;600)</th>
<th>Prime (660+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 car loan (4 years)</td>
<td>$3,987</td>
<td>$1,031</td>
</tr>
<tr>
<td>Average price of a refrigerator</td>
<td>$1,990</td>
<td>$678</td>
</tr>
<tr>
<td>$550 car repair (3 months)</td>
<td>$942</td>
<td>$566</td>
</tr>
</tbody>
</table>

Source: "What Is the Cost of Poor Credit?" Elliott, Diana and Ricki Lowitz. 2018.
Millennials and Generation X are more likely to have past-due medical debt

- Millennials, 18-34: 25%
- Generation X, 35-50: 26%
- Baby Boomers, 51-64: 20%
- Older Boomers/Silent, 65 plus: 10%

Source: 2015 National Financial Capability Study, adults age 18 and over
Share with subprime credit increases with age

Share of youth with a subprime credit score

Source: Urban Institute tabulations from a major credit bureau, 2017.
Note: The share of all US adults with a subprime credit score is 27% overall, 22% in white areas, and 38% in nonwhite areas. A Vantage score of 600 or less is considered a subprime credit score.
Before the pandemic, 68 million Americans had debt in collections.

Note: Data are at county-level and for 2018.
Source: "Debt in America: An Interactive Map (any debt in collections)." Breno Braga, Signe-Mary McKernan, and Caleb Quakenbush (Urban Institute web feature, December 2019).
Debt in collections varies within states

Note: Data are at county-level and for 2018.

Mason County: 23% with debt in collections

Dimmit County: 67% with debt in collections
## What states are doing: Emergency relief

<table>
<thead>
<tr>
<th>Goal</th>
<th>Options</th>
</tr>
</thead>
</table>
| Keep healthcare as accessible as possible                            | • *Open special enrollment periods* (WA, CA, NV, CO, MN, VT, MA, MD, CT, RI)  
• *Negotiate out of pocket costs for Covid-19 testing/treatment* (MN, ID, NM, LA, MI, VT, MA)  
• *Encourage or require premium payment relief* (40 states and DC) |
| Continue providing relief on utility bills                          | • *Halt utility shutoffs and/or ease late fees* (26 states and DC)  
• “Arrearage management” (MA) or other deferred payment plans          |
| Provide relief from banking fees                                     | • *Limit ATM fees, overdraft fees, and credit card late payment fees* (NY)                                                            |
| Protect people from vehicle repossession                            | • *Place moratoriums on repossession* (AK, DC, IL, MD, MA)  
• *Encourage financial institutions to offer relief*                  |
## What states are doing: Ensuring long term stability

<table>
<thead>
<tr>
<th>Goal</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand access to affordable healthcare</td>
<td>• Expand Medicaid to decrease medical debt in collections and reduce other hardships (37 states and DC)</td>
</tr>
</tbody>
</table>
| Ensure auto loans are affordable and viable | • Look for disparities: are longer loan terms being pushed in counties with lower incomes?  
  • Is the loan to value ratio higher?        |
| Encourage savings                         | • Relax asset limits on safety net programs to increase household savings and participation in mainstream financial markets. (43 states and territories have BBCE)  
  • Incentivize savings with programs like individual development accounts and child savings accounts. |
Resources

Website: http://urbn.is/oo

Contact us: smckernan@urban.org
cquakenbush@urban.org

Subscribe to our monthly newsletter: http://urbn.is/oando

• Debt in America: An Interactive Map (Online feature)

• What Is the Cost of Poor Credit? (Research brief)

• Wealth and the Credit Health of Young Millennials (Book chapter)

• COVID-19: Policies to Protect People and Communities (Related research)

• Structural Racism in America (Related research)

• National Consumer Law Center (NCLC) Covid-19 state policy tracker and resources (Useful policy tracker)
COVID-19: Consumer Credit and Data

July 29, 2020

Brian Bucks
Consumer Financial Protection Bureau
## Consumer credit in the pandemic’s early months

<table>
<thead>
<tr>
<th></th>
<th>Jan 2020</th>
<th>May 2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Score</td>
<td>681</td>
<td>686</td>
<td>+1%</td>
</tr>
<tr>
<td>Total average debt balance</td>
<td>$89,820</td>
<td>$89,273</td>
<td>-1%</td>
</tr>
<tr>
<td>Average credit card balance</td>
<td>$6,193</td>
<td>$5,338</td>
<td>-14%</td>
</tr>
<tr>
<td>Average # of 30-day delinquencies in past 12 months</td>
<td>0.40</td>
<td>0.38</td>
<td>-6%</td>
</tr>
</tbody>
</table>

Source: Experian, “COVID-19 Impact: Changes to Consumer Debt and Credit“
Accommodations have risen starkly

### Percent of accounts in hardship status, selected months

<table>
<thead>
<tr>
<th></th>
<th>June 2019</th>
<th>March 2020</th>
<th>June 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>0.4</td>
<td>0.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Mortgage</td>
<td>0.5</td>
<td>0.5</td>
<td>6.8</td>
</tr>
<tr>
<td>Bankcard</td>
<td>0.02</td>
<td>0.01</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Credit inquiries dropped at the pandemic’s start

Percent change in credit inquiries relative to the first week of March 2020 by week

Source: CFPB Consumer Credit Panel.
(Update of: CFPB, “The Early Effects of the COVID-19 Pandemic on Credit Applications”)
Spending dropped but has mostly recovered

Percent change in average credit and debit card spending, mid-July compared to January 2020

Source: Chetty, Friedman, Hendren, Stepner, and the Opportunities Insight Team (2020)
Spending dropped but has mostly recovered

Percent change in average credit and debit card spending, mid-July compared to January 2020, by income group

Source: Chetty, Friedman, Hendren, Stepner, and the Opportunities Insight Team (2020)
Full effects on consumer credit unknown

1. Savings, UI benefits, economic impact payments, eviction and foreclosure moratoria may have softened initial effects

2. Roughly 10% of adults in US are “credit invisible”
   - Higher for those in low-income tracts; blacks and Hispanics; and rural and highly urban areas
COVID-19 and Credit Reporting
Eric J. Ellman
Senior Vice President, Public Policy & Legal Affairs
Consumer Data Industry Association
Background on CDIA

- Trade association for the U.S. consumer reporting system
- Approximately 75 members, including Equifax, Experian, and TransUnion
- Founded in 1906
- Our members help consumers meet their financial goals
The Consumer Report Ecosystem

Data Furnisher → CRA → Data User → Consumer

= FCRA Responsibilities

= FCRA Rights
Background on the U.S. Credit Reporting System

- Data furnishers, credit bureaus, and users must all comply with the federal Fair Credit Reporting Act ("FCRA")
- Data furnishers report information to the credit bureaus on the Metro 2® Format, a universal, standard data reporting format created by the credit bureaus and CDIA, in consolation with data furnishers
- The Metro 2® Format undergoes revisions every year
Lenders and creditors are strongly encouraged by financial regulators to find accommodations for consumers, like forbearance and deferred payment plans. This may also include placing disaster codes on consumer files.
The Metro 2® Format has reporting codes in place to handle the reporting of consumers in financial distress, for whatever reason is caused by that financial distress.

When a furnisher reports on a consumer in forbearance or in a deferred payment plan to the credit bureaus, the bureaus will note on the credit file that a consumer is in such a plan.
The leading third-party score modeling companies, VantageScore and FICO work to minimize the score impact of deferred payments and forbearance plans, but federal law requires credit scores to be empirically derived and statistically valid.

Additional information on score impacts is available at [www.myfico.com](http://www.myfico.com) and [https://your.vantagescore.com/resource/](https://your.vantagescore.com/resource/)
Reporting on consumers impacted by a natural or declared disaster

- When a furnisher reports on a consumer with a disaster code to the credit bureaus, the bureaus will note on the credit file that a consumer is impacted by a disaster
In late-March, Congress passed the CARES Act. Sec. 4021 of the CARES Act amends the FCRA. Under the law, data furnishers that find an accommodation with consumers must report that consumer as “current” when reporting to credit bureaus.

The FCRA amendments under the CARES Act largely codifies existing practices under the Metro 2® Format.
Suppression of data reporting: Harmful to consumers and the credit system

- A consumer’s account will not be updated to include that the consumer is impacted by a disaster
- Positive information will not be included on a consumer report, including partial payments
- Suppression means less accurate credit reports and less reliable scoring models.
Additional resources

- www.cdiaonline.org
- www.equifax.com
- www.experian.com
- www.transunion.com
Additional resources

- www.annualcreditreport.com
Eric J. Ellman
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Consumer Data Industry Association
eellman@cdiaonline.org
Questions and Answers

Please type your questions into the chat box in the lower left-hand corner of your screen.
COVID-19 WEB PAGE

Go to:
www.ncsl.org or